



CITY BUDGET PROCESS:
Timing, roles, and decision-making
need improvement

February 2015

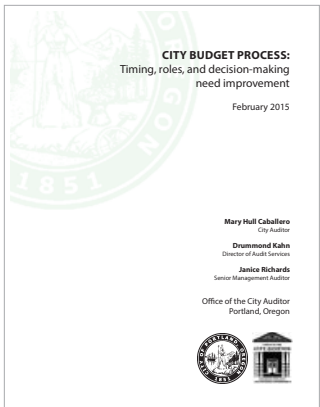
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February 11, 2015

To: Charlie Hales, Mayor
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman
Andrew Scott, Director, City Budget Office

Subject: Audit Report – *City Budget Process: Timing, roles, and decision-making need improvement* (Report #455)

The attached report contains the results of our audit work on the City's budget process. The response letter from the Bureau Director and the Mayor are included.

We ask the City Budget Office to provide us with a status report in one year, through the Mayor, detailing the steps taken to address our audit recommendations. We appreciate the cooperation we received from the City Budget Office.

Mary Hull Caballero
City Auditor

Audit Team: Drummond Kahn
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Attachment

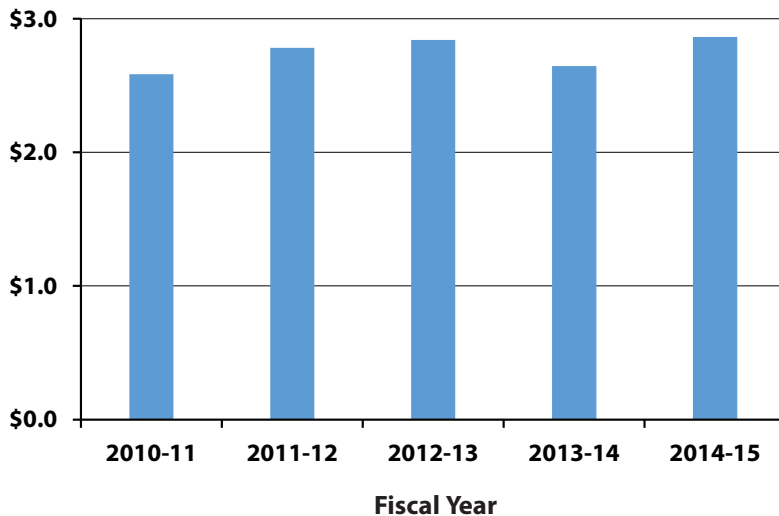
CITY BUDGET PROCESS:

Timing, roles, and decision-making need improvement

Summary

City budgets reflect the priorities of elected officials who represent the public. They also provide a map for how a city will spend available resources. Each year, the City of Portland produces a budget for the upcoming year. Portland's annual budget, net of intracity transfers, has exceeded \$2.5 billion in recent years, with Council approving the spending of over \$2.8 billion for fiscal year 2014-15.

Figure 1 City of Portland Adopted Budget (net) (billions)



Source: Audit Services Division analysis of City budget documents

Preparing a budget is a complex process that requires substantial City staff time and public involvement to produce mandatory budget documents and comply with budget laws and regulations.

We studied Portland's budget process to determine whether budget timing, roles, and decision-making were clear and effective. We found concerns in these three areas:

- The budget process is time and resource intensive, requiring significant City resources and with much of the activity occurring without key guidance.
- Unclear roles can impact the budget process, causing uncertainty and inefficiencies in the process.
- The City does not set priorities, leading to questions about the value of public input and performance data for decision-making.

Prior studies of the City's budget process have also noted weaknesses in these areas. We describe these studies later in this report.

Without improvements, the City will continue to spend substantial time to produce some information that ultimately has limited use, and the value of bureau and public effort in the budget process will remain questionable.

Background

Oregon Local Budget Law governs the budget process and identifies the process steps and timeline, roles and responsibilities, public involvement, and other factors. The City is bound by these rules and has developed its budget process to ensure compliance. City Charter, Code, and financial policy also govern the budget process.

The City's budget process occurs throughout the year, with most budget work performed between September and June. Several bureaus begin to work on their budgets in September and October, prior to the official budget kickoff in early December. The budget process ends in June, with Council's approval of the adopted budget for the fiscal year beginning July 1.

The City's budget process includes three primary groups of participants:

- Bureau budget managers and financial analysts
- City Budget Office analysts and managers
- Elected officials

A fourth level of participation involves the public. Local Budget Law requires public hearings throughout the budget process. Public hearings allow community members to provide input to decision-makers. The City meets the public involvement requirement with several public budget hearings and community forums. Additional public participation occurs through a Citizen Budget Advisory Board (BAB), individual bureau Budget Advisory Committee (BAC) meetings, budget work sessions, and testimony at weekly Council meetings.

The City Budget Office (CBO) manages and directs the budget process by providing budget instructions to City bureaus for developing their budgets, coordinating public involvement in the process, and setting the budget calendar. CBO analyzes each bureau's operating and capital budget, providing the results to Council and the public. CBO also provides technical assistance to bureaus and performs other services as directed by the Mayor and Council.

Additional oversight of the City's budget comes from the Tax Supervising and Conservation Commission (TSCC). TSCC is an independent panel of community volunteers established to monitor the budgets of local governments in Multnomah County. TSCC performs an in-depth review of the City's budget and must certify whether it has any objections or recommendations for the budget. Local budget law requires this certification before Council adopts the budget. Additionally, the City must provide a written response to TSCC objections or recommendations.

The City has received the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award for over 20 years. The award recognizes states and local governments for preparing budget documents that reflect budgeting best practices established by the GFOA and National Advisory Council on State and Local Budgeting.

Audit Results

Budget process is too time and resource intensive

Several bureau directors told us that developing the budget requires too many resources, with one saying that time spent on the budget takes away from providing services. Some bureaus spend up to 10 months to develop a budget that will be in use for 12 months.

Required budget documents provide questionable value

City bureaus expend significant resources each year to develop information required for the budget process. However, some bureau managers question the value of this work and its impact on budget decisions. Bureaus must prepare a formal budget request that includes the following:

- Cover page
- Cover letter signed by the bureau's commissioner in charge
- Budget Advisory Committee (BAC) report
- Organization chart
- Performance measure data and graphs
- Fund summaries
- Narratives describing bureau programs
- Capital project details
- Decision package summaries

In addition to the budget request, most bureaus must submit a five-year financial plan, a fee study, or both. Bureaus must also complete a separate equity tool that considers how their budget requests affect various communities. All of these documents are due within a two-week period, with most of them due on the same day. Local budget law requires some of the information that bureaus submit during the budget process, but not all. In addition, Council formally adopts only a portion of the documents bureaus are required to submit during the annual budget cycle. Several bureaus questioned how valuable the information included in the budget request was to their own bureau or to Council.

Some bureau managers find some of the required information useful for their own internal management, but produce other information only to meet budget requirements. One bureau director told us the bureau never looks at some of the budget information after submitting it to the Budget Office. Another bureau leader described preparing the budget documents as busywork, saying the information provides no benefit to the bureau. One bureau analyst identified repetition in the required information and pointed out certain information that had to be entered more than once during budget development.

Council members told us they did not always refer to the bureau information. Many of them considered a separate report produced by CBO to be more important than bureau submissions. The CBO report is an analysis and review of all bureau requested budgets and includes Budget Office recommendations to Council on bureau requests. The reviews are intended to highlight issues CBO believes Council should consider in the budget process and provide a starting framework for budget deliberations.

Council members and their staff told us that they relied on CBO analysis, with one Council member saying that if CBO did not highlight an issue, then Council would probably not pay attention to it. Several Council members said they consider CBO reports as key, while two told us that they did read all or most of the bureau documents. The bureau documents represent a culmination of bureau analysis and policy decisions, public input, and other considerations by bureau managers knowledgeable about bureau programs throughout several months of budget development.

According to the CBO Director, budget analysts are expected to use all of the information when they analyze bureau budget requests, although some bureau staff questioned whether this was true. Budget staff from several bureaus told us budget analysts have asked the same questions on more than one occasion and over several years. The CBO Director also said CBO considers streamlining the budget submittals every year and provided a listing of recent changes to requested budget requirements. For the three most recent budget cycles – FY 2013-14 through 2015-16 – CBO made the following changes to required budget submittals:

- Eliminated six documents for all bureaus
- Eliminated four additional documents for bureaus with fewer than five capital projects
- Added three new documents per Council's request

The CBO Director told us that all other budget documents are required by GFOA or City financial policy. Ultimately, each year bureaus spend significant time on the budget process, including preparing some documents with questionable value.

Oregon Local Budget Law allows a two-year budget, which some local governments have found to reduce staff time spent on budget preparation and analysis. The City briefly experimented with two-year budgeting in the past, but the effort was suspended due to a significant change in the General Fund forecast in the early 2000s. Council had to make sizable cuts midway through the two-year period. In late 2012, the City began to reconsider the two-year budget process.

Budget timing is inefficient -- Key budget guidance is provided after significant budget development occurs

CBO establishes a formal budget calendar each year. It begins with bureaus submitting their requested budgets to CBO and ends with City Council adopting the budget. In between, the budget calendar includes other activities such as public hearings, work sessions, and preparation and release of the Mayor's proposed budget. It also includes making adjustments to the current budget.

The formal budget calendar generally runs from early February through mid-June to ensure the new budget is adopted prior to June 30, as required by law. It also ensures the City's budget process satisfies legal requirements. However, the process takes considerable time and resources, and timing of when information and instructions are provided could be improved.

Work on bureau budgets begins before the start of the formal budget calendar. Most City bureaus begin their formal budget process in October or November, but some begin considering the budget as early as September. The timing varies and may depend on the size and complexity or purpose of the bureau. For example, the Office of Management and Finance (OMF) begins working on its budget as early as September because it needs to develop information that affects the budgets of other bureaus. Water Bureau also starts its budget process in September. The smaller Bureau of Emergency Management begins its budget process in November, although preliminary discussions about the budget start as early as September.

Bureaus also begin meeting with their individual budget advisory committees (BAC) prior to receiving information needed to prepare their budgets. We compared the timing of bureau budget activity, including BAC meetings, to the release of key budget guidance for the FY 2014-15 budget process. Figure 2 shows that significant bureau budget activity, including BAC meetings, occurred before most key guidance was released in late December.

Figure 2 FY 2014-15 Budget process timing

Date	Budget Process Activity
September 2013	Some bureaus began their budget process. OMF held its first meeting with its BAC.
October	More bureaus began their budget process. These were typically the larger bureaus. More bureaus also began meeting with their BAC.
<i>October 3, 2013</i>	<i>Mayor communicated the general budget message of a stable budget for FY 2014-15, with no cuts to the General Fund.</i>
November	More bureaus began their budget process. These were typically the smaller bureaus. Bureaus continued to meet with their BAC.
December	Bureaus continued to meet with their BAC.
<i>December 4, 2013</i>	<i>CBO distributed General Fund Current Appropriations Levels and other key financial information bureaus needed to prepare their detailed budget requests.</i>
<i>December 20, 2013</i>	<i>CBO released the Budget Manual to bureaus. The manual included detailed instructions for building budget requests and the Mayor's priority areas.</i>
<i>December 21, 2013</i>	<i>OMF distributed preliminary cost estimates for OMF interagency service agreements to City bureaus. Bureaus needed this financial information to complete their detailed budget requests.</i>
<i>December 23, 2013</i>	<i>Mayor formally communicated his budget priorities to bureaus.</i>
January 2014	Most bureaus met with their BAC for the final time.
February 3, 2014	Bureaus submitted budget requests and other required information to CBO.

Note: *Shaded* items above indicate guidance provided to bureaus for budget development
Source: Audit Services Division analysis of City budget documents

Some bureau directors and budget managers told us the timing of the budget priorities and instructions did not affect their budget development or BAC meetings, while others indicated it would be better to have that information earlier to avoid having to revisit the work already completed. One manager said that having this information earlier would be better for strategic planning. Most bureau managers were more concerned about the OMF interagency costs, particularly telling us that the timing of when OMF released this information significantly impacted their bureau's budget development.

Several factors influence when budget guidance is provided to the bureaus. For example, guidance from the Mayor or Council is released at the sole discretion of the Mayor and Council. During the 2014-15 budget process, there was discussion about setting Council priorities as early as September. However, the Mayor's priorities were not communicated until late December. According to the Mayor, Council did not agree on priorities, so he issued his own. CBO's release of budget instructions also depends on budget guidance from Council and when expected inflation rates are available, which is usually September. CBO also told us that OMF must wait for certain City data in addition to inflation rates, as well as direction from the commissioner-in-charge. OMF needs this information to build its own budget and provide internal charges to other City bureaus.

Unclear roles impact the budget process

During the City's budget process, which is guided by CBO, Council adopts a budget that ensures the delivery of needed services through all types of economic cycles. The budget must also meet required laws and regulations. We found that the duties of Council and CBO align with laws and regulations. However, CBO roles need greater clarity, and without that bureaus will continue to be uncertain with the role of CBO analysts.

CBO has multiple roles during the budget process. The director serves as the City's budget officer. Budget analysts review bureau budget requests of their assigned bureaus and issue recommenda-

tions to Council. The director described the analysts' role during the budget process as follows:

1. They work as independent, objective analysts when reviewing the bureau-requested budgets.
2. They work for the Mayor when working on the Mayor's proposed budget.
3. They work for the entire Council when working on the Council proposed budget.

Outside of these three roles they provide oversight, customer service, and budget monitoring.

We determined that there is a lack of clear understanding regarding the role of CBO. Perceptions of the role and value of CBO and budget analysts varied among CBO, Council, and bureau managers. CBO analysts saw their role as objective and independent, and that they consider bureau budget requests from a citywide perspective.

We found that all Council offices value CBO's work, as evidenced by the following statements from our interviews with Council members and individuals on their staff:

- One commissioner said CBO was important throughout the year. This commissioner did not always agree with the budget analysts, but found issues highlighted by the analysts to be important.
- Another commissioner said all of Council held CBO in high regard. This commissioner said the independence and quality of CBO staff provided Council with confidence in their guidance.
- One commissioner noted CBO was good at analyzing information and answering questions, while another welcomed CBO analysis and policy recommendations.

Most bureau leaders we interviewed were clear on the role of the analyst as an outside party analyzing the bureau, but others questioned CBO weighing-in on bureau decisions. Some believed it was

outside of the budget analyst role to question or overrule policy decisions made by a bureau director or commissioner that were included with the bureau budget request. While some bureau managers recognized CBO takes a citywide perspective, they perceived that the analysts overstep their roles and do not provide adequate customer service.

City ordinance created an independent City Budget Office in December 2012. Previously it was the Financial Planning Division (FPD) within the Office of Management and Finance. Two months before this change, bureau directors discussed the budget process during a planning work session. During this meeting, directors identified several budget process issues for improvement – amount of time and cost required to prepare required budget materials and perception that decision-makers did not use the information, lack of direction by Council early in the process, frustration with the public involvement process, and confusion about the budget analyst role. Meeting notes show concerns about FPD stepping outside of its role and authority by making policy recommendations rather than budget recommendations. Notes further indicate there needed to be clarity in the budget analyst role; directors did not want analysts to make policy recommendations.

An early draft of the ordinance to create an independent CBO contained specific language for the new CBO to make policy recommendations. When Council adopted the final ordinance creating CBO, the policy recommendation language was stricken from the ordinance. The creation of an independent CBO also ended discussions about the role of budget analysts without resolution.

Other City resources do not clearly state CBO's role. At the time of our audit, the CBO website did not include its mission or purpose. CBO added its mission to the website after reviewing an earlier version of this report. Position descriptions for budget analysts were not revised following the creation of the new CBO, although their responsibilities changed. According to the CBO Director, the Bureau of Human Resources told him that the descriptions were purposely broad because they were also used for bureau financial analysts, although financial analysts perform different work than budget analysts.

The City has not fully implemented recommendations from a prior study of its budget process. In its 2003 evaluation of the City's budget process, the GFOA made several recommendations about clarifying roles and responsibilities, noting that the role of the budget office was not clearly understood by bureaus. In 2003, the GFOA reported that some bureaus expected their budget analysts to serve in an advocacy role, although the analyst role required an "arms-length" relationship in order to objectively analyze the bureau budgets. The GFOA also noted that Council's role should be to establish citywide strategic priorities, along with guiding budget development within their assigned bureaus. Specifically, the GFOA recommended the City:

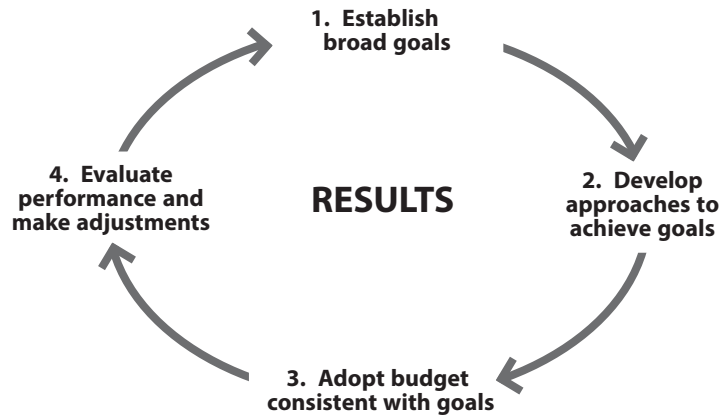
- Clarify the role of the budget office in the budget process
- Redefine the mission of the budget office
- Clarify the responsibilities of the budget office, bureau, and elected officials in the budget process

Although these recommendations were made before the budget office became a separate bureau in 2012, many of the issues remain today.

No City priorities to guide decision-making

According to best practices from the National Advisory Council on State and Local Budgeting (NACSLB), the Government Finance Officers' Association (GFOA), and other resources on public-sector budgeting, a governing body should set broad goals to guide decision-making. The goals should be clear, identify overall City priorities, and consider community input. Once priorities are established, the governing body should allocate resources according to these stated priorities and goals. The government should use performance measures to evaluate progress toward the goals and communicate results. Prior studies – including our 2002 audit report on Managing for Results and a 2003 GFOA review of the City's budget process – recommended the City set broad goals and use performance data to measure outcomes. The City has taken steps towards implementing these practices, but has not fully realized them.

Figure 3 Budget process - best practices



Source: National Advisory Council on State and Local Budgeting

Council has not established priorities and goals

City Council has not been successful in setting citywide priorities. We found that the City lacks a clear set of overall priorities in two audit reports we issued in 2013: *Transition Report: Key Risks for City Council* and *Urban Services Policy and Resolution A: Core City services not articulated; 30-year-old commitments obsolete*. More recently, during a November 2013 work session, the CBO and Mayor attempted to have Council members agree on overall city priorities for the FY 2014-15 budget process. Commissioners identified their own priorities without resolving differences or reaching consensus on an overall list of priorities, leading the Mayor to issue his own priorities to city bureaus as budget guidance. Commissioners and their staff said that they were skeptical that the Mayor’s stated goals would influence decision-making in the budget process. The Mayor later said the intent of the priorities was to guide decisions for the Mayor’s proposed budget, stating the priorities were his and not the rest of Council’s.

The budget process includes public input, but some question its usefulness

Community members may participate in the budget process as part of the Citizen Budget Advisory Board (BAB) or bureau Budget Advisory Committee (BAC), working groups that question or provide input on bureaus’ requested budgets. Public testimony regarding the City’s

budget is also taken at Council meetings. We found that the BAB members generally found value in the process, while the effectiveness of the BAC was less certain.

Council created the BAB in November 2005 to add citizen insight and expertise to the City's budget development. The BAB sits with Council during bureau budget presentations and is free to question the bureaus about their budget requests. We interviewed four of five current BAB members and found that most saw value in their participation. One member said the committee thought it played a more significant role than it actually did. This member also believed that the value of the committee had improved in recent years. Three members cited their ability to bring insight and issues to Council's attention through their questioning and cited specific examples of how their input has influenced Council budget decisions.

Bureau BAC members attend one or more meetings to learn about the bureaus and obtain information relevant to developing their bureau's requested budget. At the end of this process they rank bureau services and participate in prioritizing budget requests. The BAC priorities are intended to represent the community's priorities for a particular bureau budget. We found that some bureau managers saw more value in the BAC process than others. Bureau managers also told us that when Council makes budget decisions contradicting BAC recommendations without providing feedback, some BACs perceive their work as not considered or valued for decision-making.

On the other hand, public testimony can influence Council budget decisions. For instance, during the FY 2013-14 budget process, several community members spoke at a Council meeting late in the budget process and requested the reversal of an earlier decision to close Buckman Pool. Council changed its position and approved funding for pool operations.

Existing performance measures are not useful for decision-making and evaluating results

Performance measures included in the budget documents may not be used or relevant for decision-making. Organizations use performance measurement to assess the quality of their activities and services and determine whether they are making progress toward

organizational goals. Bureaus are required to include performance metrics in their budget requests, but Council members said they did not always consider the information or concluded they were not measuring the right things. One Council member found some of the measures to be valuable, but questioned the validity of other measures or found them difficult to understand. Bureau managers also had varying views on the value of measures. Some told us they created the measures mostly to include them in their budgets, while others found the measures useful for their bureau's internal needs. In 2014, CBO embarked on a process to improve some bureaus' existing performance measures to make them more relevant and useful to decision-makers.

The City abandoned recommendations from prior studies to improve its budget process

The City has not fully implemented recommendations from prior studies to aid its budget process. In 2002, our office issued *Managing for Results: A Proposal for the City of Portland*. Managing for Results is a process that includes setting priorities, linking budget decisions to the priorities, and using performance data to measure progress. In 2002, the City also contracted with the GFOA to evaluate its budget process. Both reports made recommendations in the areas of setting priorities, strategic planning, using performance measures, and communicating to interested parties for improving the budget process.

In 2003, Council passed resolutions to implement Managing for Results for the City, along with a formal plan to put it into practice. At that time, City leaders discussed how Managing for Results would link to the City's budget process. This effort was later abandoned. As part of its current efforts to improve performance measures, CBO is rebuilding Managing for Results and working to integrate performance measures into the decision-making process.

Without clear priorities, bureau managers and members of the public formally participating in the budget process question their effort, time, and contributions. A lack of clear priorities may inhibit Council's ability to perform strategic planning for the city while they focus on operational matters. Additionally, the City's budget documents include performance data and other information that is not meaningful to City leaders for decision-making.

Recommendations

To address shortcomings in timing, role clarity, and decision-making in the budget process, we make a series of recommendations to Council and City Budget Office.

To improve the timing of activity within the budget process, we recommend Council and CBO:

1. Consider ways to lessen the impact of the budget process on City operations. This may include:

- Adopting a two-year budget, which some local governments have found to reduce staff time spent on budget preparation and analysis. Budget law allows a two-year budget.
- Continuing to review required budget documents and identifying redundancies and other items to reduce or eliminate. Leave information required by law or GFOA best practices, clearly used for analysis and decisions, or to improve transparency to the public.

2. Provide priorities earlier in the budget process so the bureaus that start their budget work early – the larger bureaus – have the information as they begin the process.

To improve clarity of roles and responsibilities in the budget process, we recommend Council and CBO:

3. Resolve remaining questions with bureau managers about CBO's role.

4. Develop position descriptions for CBO analysts that more clearly reflect their required duties.

This work should occur with the Bureau of Human Resources as part of the City's class compensation study.

To improve decision-making, we recommend Council and City Budget Office:

- 5. Establish citywide priorities for use in budget and other strategic planning decisions.**
- 6. Continue efforts to develop meaningful performance measures for use in budget decision-making and bureau operations.**
- 7. Clearly link priorities, decisions, and measures to outcomes and communicate to public participants in the budget process, including the Citywide BAB and bureau BACs.**

This increased transparency may better inform these participants as to how final decisions were made and how their feedback was considered.

Objective, scope and methodology

The objective of this audit was to review the City's budget process for effectiveness in the areas of timelines, roles, and decision-making. We looked for ways to streamline the budget process by focusing on stated priorities and determined whether roles and responsibilities were defined and clearly understood by affected parties.

To accomplish this objective, we interviewed City leaders playing key roles in the budget process. These included four City Council members and senior staff of the fifth member. We interviewed City Budget Office staff responsible for reviewing bureau budget requests, including the Director, Assistant Director, and five current budget analysts. We also interviewed two former budget analysts. We interviewed bureau directors and managers responsible for developing their bureau's budgets. These interviews included bureau leaders from a mix of large and small bureaus and with different funding sources (general fund, ratepayers, grants, and others). We also ensured our selection of bureaus included different Council members as the commissioner-in-charge, so as not to focus on bureaus assigned to a single elected official. We interviewed four of five Citizen Budget Advisory Board members about their participation in the budget process. We interviewed the director of the Tax Supervising and Conservation Commission regarding its role in evaluating the City's budget document each year and reviewed its assessment of the City's prior budget.

We reviewed professional literature regarding budgeting best practices, prior studies of the City's budget process, and budget process audits of other jurisdictions. We also reviewed laws and regulations for budgeting in Oregon, as well as Portland City Code and financial and administrative policies relevant to budgeting, financial management, and budget roles and responsibilities. We examined City budget information, including budget guidance, budget documents, and Council ordinance and other information creating the City Budget Office.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require us to plan and perform the audit to obtain sufficient, appropriate

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESPONSE TO THE AUDIT



Office of Mayor Charlie Hales
City of Portland

February 6, 2015

Ms. Mary Hull Caballero
Office of the City Auditor
Audit Services Division
1221 SW 4th Avenue, Room 310
Portland, OR 97204

Dear Ms. Hull Caballero:

Thank you for the opportunity to respond to your audit of the City's budget process. We have reviewed and discussed the recommendations and are pleased that your office has validated our efforts to set priorities for the City and develop a performance management system. Portland closely follows the budgeting best practices laid out by the Government Finance Officers Association, and we have received the GFOA Distinguished Budget Presentation Award for more than 20 consecutive years.

This letter details our response to the specific recommendations contained in the audit and the steps that we will take over the next year as we look for additional ways to improve the process.

Consider ways to lessen the impact of the budget process.

CBO will continue to review required budget documents every year and streamline those documents where possible. We believe that the documents required today meet the criteria in your audit: required by law or GFOA best practice; clearly used for analysis and decision-making; or helpful for providing information and transparency to the public.

We have considered moving to a two-year budget cycle in order to reduce the impact of the budget process but want to ensure that the benefits of such a move outweigh the costs. Many jurisdictions that employ two-year budgeting have found that the "off-year" budget adjustment process is as burdensome, and often more chaotic, than the regular budget process. A two-year process also provides fewer opportunities to make adjustments to programs based on performance. To the extent it has potential to reduce administrative burden, however, we will continue to review two-year budgeting as an option.

Establish citywide priorities and provide those priorities earlier in the budget process.

As noted in your audit we led a robust discussion of Citywide priorities at the November 2013 budget work session, and it was useful to hear specific priorities from each Commissioner. In the absence of consensus, bureaus were asked to submit budgets that addressed the Mayor's priorities. The proposed and adopted budgets for FY 2014-15 reflected those priorities. We will

continue to work with Council to establish priorities for the City and provide guidance to bureaus as early as possible.

Resolve remaining questions about CBO's role and develop position descriptions for CBO analysts.

We appreciate your finding that, after two years of operation as an independent bureau, all Council offices reported that they highly value CBO's work. Among other things, the December 2012 creation ordinance and Portland City Code task CBO with "providing information and advice" to all of City Council and "the development of budget recommendations for all City bureaus and funds." Since the City budget is a policy and strategic document, Council expects that budget analysts in the CBO will critically review underlying policy issues that may arise when making budget recommendations, and in some cases may question the policy decision itself. We believe this process increases government transparency and effectiveness, and we will continue to communicate to City bureaus that this is the role that Council expects CBO to play.

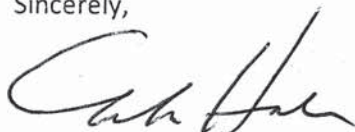
In addition, we agree that bureau financial analysts perform different work than CBO budget analysts and will ensure that the classification for budget analysts is reviewed as part of the City's classification and compensation study.

Continue developing meaningful performance measures; link those priorities, decisions, and measures to outcomes; and communicate those outcomes to the public.

We are very excited that your audit recommendation validates the direction we have taken for the last two years to establish key performance measures for City services, establish goals, and link those goals to the budget process. Last year we launched dashboards for three key priorities of complete neighborhoods, homelessness, and emergency preparedness. In January, we launched a Citywide dashboard that tracks the City's performance on economic opportunity, livable neighborhoods, public safety, and good government. And as part of this year's budget process we have asked all City bureaus to develop bureau measures and tie their budget requests to those measures. Our efforts in this area will allow the public to track our progress and hold us accountable for results.

Please convey to your staff our appreciation for their work on this audit over the last eighteen months. The budget process should not be viewed as an activity that takes away from core services but instead as a process that enhances those core services through increased transparency and accountability. A robust, effective, performance-driven budget process is key to ensuring that Portland continues to live up to its potential as a progressive, innovative city.

Sincerely,



Mayor Charlie Hales
City of Portland



Andrew Scott
Budget Director
City of Portland

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Portland Budget Process: Timing, roles, and decision-making need improvement

Report #455, February 2015

Audit Team: Janice Richards, Caroline Zavitkovski,
Ariana Denney

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandoregon.gov/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

Mary Hull Caballero, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Portland Streetcar: City transit targets unmet, better performance management needed (#451B, December 2014)

Bureau of Technology Services: City fails to comply with payment card industry standard (#460A, November 2014)

City of Portland 24th Annual Community Survey Results (#463, October 2014)

